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C O N F I D E N T I A L SECTION 01 OF 02 OSLO 000406

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SUBJECT: NORWAY-RUSSIA: KEEPING UP APPEARANCES

REF: OSLO 213

Classified By: Pol/Econ Chief Mike Hammer for reasons 1.4 b and d

¶1. (C) Russian Prime Minister Fradkov's March 28 and 29 visit to Oslo generated extensive press play and further heightened expectations about Norway's role in developing Russia's Shtokman gas field, but achieved little movement on substantive issues like Barents border delineation, the Russian ban on Norwegian fresh fish, and disputes over fisheries rights in the Svalbard archipelago. The visit reflects the current status of the Russian Norwegian relationship -- lots of public fanfare, some movement where Russian and Norwegian interests clearly coincide, but little progress on the hard issues.

PM FRADKOV VISIT: ATMOSPHERICS 10, SUBSTANCE 0
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¶2. (SBU) The first stop for the Russia PM on his visit was a red carpet tour of NorskHydro's Ormen Lange gas project near Molde, on the west-central coast. Gazprom is scheduled to announce its partners for the Shtokman natural gas project on April 15, and the Norwegians used the tour as a final opportunity to pitch their world-class offshore petroleum technology. While Hydro CEO Eivind Reiten called Norway and Russia "natural partners," Fradkov was less forthcoming, telling the press that "the possibility for an important role for Norway in the project is not diminished."

¶3. (C) While the growing Norway-Russia energy dialogue continues to move full throttle, the MFA told us there was little progress on substantive issues during the visit, with discussions largely a re-hash of well known positions. On the Barents border delineation issue, Fradkov reiterated Russia's suggestion to explore the disputed zone for petroleum resources while negotiations continue. The Norwegians insist that the border be clearly determined before any exploration is undertaken. On fisheries rights in Svalbard, the Russians maintained their position that flag states should be responsible for punishing rogue fishing vessels. The Norwegians claimed the right to regulate fishing practices and enforce compliance in the Svalbard archipelago. On Russia's ongoing salmon ban, PM Stoltenberg told Fradkov that the ban should be lifted and reportedly served the Russian PM Norwegian salmon. Fradkov said after meeting Stoltenberg that "there was a willingness to find compromises on disputes," but neither side offered any real evidence of progress.

¶4. (C) The high-level visit was remarkable for its lack of any substantive agreements. The Norwegian media gave the visit a positive spin and focused on the countries, good relations and gas development opportunities, but the most

substantive article on the visit we could find appeared on the website "FishUpdate.com," which focused on a Memorandum of Understanding on an information and monitoring system for Barents maritime traffic. The MFA told us that a mutual cooperation agreement with the Russian Ministry of Justice was also signed during the visit, but there was virtually no public mention of it.

NORWEGIANS TREAD CAREFULLY ON HUMAN RIGHTS

15. (C) In a briefing to resident Ambassadors on April 3, PM Stoltenberg's National Security Adviser Ingvard Havnen said they had raised human rights with Fradkov, specifically the situation in Belarus. Havnen said Fradkov completely dismissed the West's claim that the election was a fraud, rejected calls for sanctions, and instead asserted that it had been a democratic election. When several Ambassadors asked if Stoltenberg had raised human rights concerns in Chechnya, or within Russia, Havnen timidly said no.

NORWEGIAN OFFICIALS OUTWARDLY OPTIMISTIC, PRIVATELY LESS SO

16. (C) The positive spin given the visit reflects the center-left government's public line on relations with Russia. We repeatedly hear that bilateral relations have never been better and that the Moscow is treating Oslo as a genuine partner. True, there is evidence that Norway's engagement is paying some dividends. Bilateral trade turnover increased by 66 percent in 2005 (with trade in seafood alone worth \$533 million), Russian students are increasing enrollment at Norwegian Universities, and at least

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one Norwegian energy company will likely take a stake in the Shtokman project.

17. (C) However, there are clear difficulties with the partnership. Despite some hoopla and hope several weeks ago that Fradkov might give a signal of real progress on the border talks, his comments suggest Moscow has not moved off its old positions. Privately, MFA officials have told us that there is little chance that Russia will agree to Norway's median line approach and that Oslo will (eventually) have to cut the best deal it can get. There was also no real movement on Russia's seafood ban, which has now dragged on for three months with no end in sight. While Russian scientists are in Norway this week visiting aquaculture sites, Norwegian firms are scrambling to find substitute seafood products, like frozen fish, to maintain their half-billion dollar share of Russia's growing import market. Finally, as the Elektron fishing trawler incident and subsequent protests over Norway's continued fishing vessel inspections show, the Russians have not budged in opposing the Norwegian position on Svalbard.

COMMENT

18. (C) The Russians seem to be in no hurry to resolve some fundamental old differences with Norway, like the maritime border issue. Nor do the Russians hesitate to create new difficulties, like the fresh seafood ban, when it suits their interests. The Russians will no doubt continue to engage with Norway on these and other leading issues, but the relationship is clearly imbalanced. The Norwegians need movement on the Russian side to resolve some issues that are central to their interests, e.g. fully developing High North energy, maintaining seafood exports, protecting the Arctic environment, while Moscow appears to view these issues as more peripheral.

19. (C) The center-left coalition keeps casting the most positive light possible on the relationship, noting the unprecedented number of high-level visits by ministers of

each country over the past several months. And, indeed bilateral relations and interaction have improved substantially in recent years, but the government eventually will have to demonstrate real substantive progress to maintain the public line. An editorial in Norway's newspaper of record, Aftenposten, has already called into question what Norway is really getting out of the relationship, suggesting that the media is not fully buying the government's spin. The difficulty is that Oslo has little real leverage over Moscow to compel progress on the central issues. The Russians can continue to sit back, engaging when it suits them (like on developing Shtokman, where they have a genuine need for Norwegian offshore petroleum technology), and letting other difficult issues fester. The imbalance poses a special risk for Norway's High North agenda, every aspect of which (energy, economic development, the environment, and security) is tied to its relationship with Russia. For Norway to pursue this agenda effectively, it must maintain good relations with the Russian bear.

¶10. (C) For better or worse, Russia is a necessary partner, albeit a difficult one, for Norway in the High North. This partially explains Norway's eagerness to engage us and European powers on the High North, as we can supply the only real effective counterbalance to Russian power in the region on the most contentious issues. The underlying reality, not publicly voiced, is that Norwegian officialdom is quite anxious about Russia's future direction. While they all hope for the best, Norwegians remain unsettled by what could happen if things turn for the worst. In fact, those within the Norwegian establishment that most support NATO and strong relations with us do so in part out of lingering fear that Norway could end up with an unstable and potentially threatening neighbor once again.

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